

August 26, 2011

To: Executive Board

Subject: **FY 2012 Financial Statements and Investment Summary – July 2011**

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### **Recommendation**

Receive and file the Financial Statements and Investment Summary for Fiscal Year 2012.

### **Analysis**

The attached Financial Statements and Investment Report summarize Foothill Transit's unaudited operations and financial condition for the first month of the fiscal year ending June 30, 2012.

Foothill Transit's cash position of \$52.9 million is \$6.4 million less than the previous month. This decrease of cash is the net change between the uses of cash and sources of cash. Uses of cash include an operating loss of \$1.1 million; an increase of \$1.1 million in Due from Other Governments; an increase in Accounts Payable of \$1.4 million and a decrease in Accounts Payable of \$3.8 million. Sources of cash consisted of a \$1 million decrease in Long-Term Debt.

July 2011 fare revenues were \$1.47 million, which is 2.65 percent more than the monthly budgeted amount. This is a continuation of the trend established in the prior fiscal year even though revenue estimates were increased approximately ten percent. It is difficult to isolate the factors responsible for this increase. A fare increase was implemented along with service refinements to improve fare revenues in the prior fiscal year; however the economy continues to show no signs of a permanent improvement.

Operating costs through July were \$5.1 million, which is \$465,000 less than the budget. These costs are \$275,000 or 0.05 percent more than for the same period one year earlier. Foothill Transit had sufficient funds to meet all of its obligations.

### **Balance Sheet Analysis (Attachment A):**

#### Assets

The balance sheet as of July 30, 2011 shows total assets at \$213.0 million. This total consists primarily of \$152.1 million in fixed assets and \$52.9 million in cash and investments. The cash and investments balance includes \$5.0 million invested in the Local Agency Investment Fund (LAIF); \$25.6 million in non-interest bearing accounts held with Bank of the West; \$10.0 million in an interest bearing account with Bank of the West; \$3.3 million with Chase; \$4.0 million with Bank of the West and \$2.9 million with Wells Fargo invested in FDIC insured Certificates of Deposits earning interest through

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the Certificate of Deposits Account Registry Service (CDARS) program; and \$2.0 million in US Treasury Bills.

## Investments (Attachment B)

Our current investments are held in financial instruments pursuant to Foothill Transit's investment policy. Funds held with Bank of the West are in non-interest earning accounts to qualify for FDIC insurance, eliminating the risk of loss. The LAIF investment, the CDARS investments, the deposits with Chase and US Treasury Bills earn interest and are held for future capital and operating funding requirements. These accounts earn interest; however at a very low rate. The LAIF interest rate as of July 2011 was 0.381 percent; slightly less than the previous month's rate of 0.448 percent. The most recent change in the prime interest rate was effective December 16, 2008 reducing it to 3.25 percent. While the prime has not changed in more than two years, LAIF interest rates have continued a downward trend.

## Liabilities

The accounts payable balance is \$5.1 million. \$3.5 million of this amount represents the amount due and payable to the contractors for June and July services. Other amounts payable include fuel costs of \$515,000, Monrovia Dial-A-Ride service of \$50,000 and \$427,000 due Metro.

## **Operating Revenue and Expense Analysis (Attachment C):**

### Fare Revenue

July 2011 fare revenue of \$1.47 million was 2.65 percent more than the monthly budgeted amount and \$39,000 less than June 2011 revenue. The July amount is \$28,500 or 1.97 percent more than the prior year monthly average.

While July revenues are slightly less than the prior month and more than the prior year monthly average, the July revenues are 2.65 percent more than the amount budgeted and very close to the fiscal year 2011 monthly average. These could be indicators that the economy is neither improving nor weakening, even though recent indicators have indicated everything but a stable economy.

State and Local Funding Subsidies of \$2.6 million (consisting of Transportation Development Act funds, Proposition A and C grants, and other income) were approximately 90.0 percent less than planned for in the budget. This is normal at the beginning of a new fiscal year. Metro has to implement the payment process which can take one to two months before payments can be processed. Foothill Transit has sufficient funds to meet all of its obligations.

### Expenses

July 2011 operating expenses were \$5.1 million, compared with the budget of \$5.6 million. This difference of approximately \$450,000 resulted in an 8.3 percent favorable

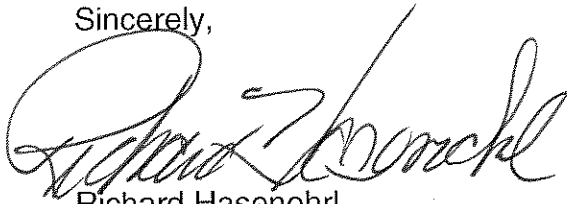
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variance. The majority of this favorable variance is the result of fuel cost savings of \$167,000 and lower than budgeted service cost of \$257,000, with the balance spread over several departments and not attributable to any one account. It should be noted that the July 2011 expenses of \$5.1 million are \$275,000 more than the prior fiscal year, which is attributable to the July payment for SMART *Bus* maintenance.

Farebox Recovery Ratio

The July 2011 farebox recovery ratio was 28.74 percent; 2.78 percent more than the performance target of 25.96 percent. The farebox recovery ratio was derived by dividing the total fare revenue figure of \$1,474,901 by the total operating expense figure of \$5,130.983. This ratio has decreased 0.563 percent from the June 2011 figure of 29.3 percent.

Sincerely,



Richard Hasenohrl  
Director of Finance



Doran J. Barnes  
Executive Director

Attachments

Foothill Transit  
Balance Sheet  
As of July 31, 2011

**Assets**

## Current Assets:

Cash	\$ 35,680,028
Investments	17,291,807
Due from government agencies	5,429,129
Other receivables	2,153,160
Other assets	355,932
Total Current Assets	<u>60,910,056</u>
Property & Equipment (net of depreciation)	152,117,453
Total Assets	<u><u>\$ 213,027,508</u></u>

**Liabilities and Equity**

## Current Liabilities:

Accounts payable and accrued liabilities	\$ 5,074,673
Current portion of long term debt	1,000,000
Deferred Revenue	<u>32,189,423</u>
Total Liabilities	<u>38,264,096</u>

**Equity**

Investment in Fixed Assets (net):	
Fund Balance:	<u>174,763,412</u>
Total Equity	<u>174,763,412</u>
Total Liabilities and Equity	<u><u>\$ 213,027,508</u></u>

Summary of Cash and  
Investment Account  
For July 31, 2011

	Interest Rate	Term	Principal Amount/Book Value	Market Value
Cash:				
Bank of the West-Reg. Checking	N/A	Demand Deposit	\$14,522,434	\$14,522,434
Petty Cash	N/A	N/A	400	400
Revolving Fund - Transit Stores	N/A	N/A	1,500	1,500
Bank of the West-Money Market	0.150%		10,011,622	10,011,622
Bank of the West-Excise Tax	N/A	Demand Deposit	6,787,707	6,787,707
Bank of the West-CTAF <sup>3</sup> Fund	0.750%	Demand Deposit	658,041	658,041
Bank of the West-Bus. Checking	N/A	Demand Deposit	3,698,323	3,698,323
Subtotal Cash on Hand			35,680,028	35,680,028
Unrestricted Investments:				
Chase Business Saving	0.500%	Demand Deposit	3,306,245	3,306,245
Bank of the West-CDARS	N/A	Cert. of Deposit	4,000,000	4,000,000
Wells Fargo-CDARS	0.175%		2,988,000	2,988,000
Treasury Bills			1,996,158	1,996,158
LAIF Investment	0.381%	Demand Deposit	5,001,404	5,001,404
Subtotal Unrestricted Investments			17,291,807	17,291,807
Total Cash and Investments			<u>\$52,971,834</u>	<u>\$52,971,834</u>

**Notes:**

- 1) The investments listed above are in compliance with Foothill Transit's Investment Policy dated July 22, 2004.
- 2) Foothill Transit has the ability to meet its expenditure requirements for the next six months.
- 3) California Transit Assistance Funds

Foothill Transit  
Statement of Revenue and Expense  
For Month Ended July 31, 2011

	Actual July -11	Budget July -11	Variance Favorable (Unfavorable)	Actual July - 10
<b>Operating Revenue</b>				
Farebox	\$925,034	\$976,633	(5.28%)	\$924,875
Pass Sales	286,021	221,533	29.11%	126,254
TAP Cash Purse	154,225	118,550	30.09%	171,329
MetroLink	3,025	2,208	36.98%	2,498
EZ Transit Pass	106,596	117,950	(9.63%)	94,314
Total Operating Revenue	1,474,901	1,436,875	2.65%	1,319,270
<b>Non-Operating Revenue</b>				
FTA Sec 5307 Operating				
FTA Sec 5307 ARRA				
Transportation Development Act (TDA)		19,907,433	(100.00%)	
STA		2,979,167	(100.00%)	318,777
Prop A 40% Discretionary	1,117,852	1,000,000	11.79%	1,061,732
Prop A & C Interest				
Prop A 40% BSCP	316,399	241,667	30.92%	288,163
Prop C Base Restructuring	147,978	141,667	4.45%	145,091
Prop C BSIP	68,894	67,583	1.94%	67,550
Prop C Transit Service Expansion	24,659	24,167	2.04%	24,178
Transit Security-Operating	51,472	50,000	2.94%	45,313
Measure R Operating	787,255	524,167	50.19%	617,556
Excise Tax Credit				
Gain on Sale of Fixed Assets				
ARRA				
Auxiliary Revenue	91,027	125,000	(27.18%)	102,520
Total Non-Operating Revenue	2,605,536	25,060,851	(89.60%)	2,670,880
Total Revenue	4,080,437	26,497,726	(84.60%)	3,990,150
<b>Available Capital Funding</b>				
Capital Grants	46,702			1,292,788
Other				
Total Revenue and Capital Funding	4,127,138	26,497,726		5,282,938
<b>OPERATING EXPENSES</b>				
Operations	4,204,844	4,681,058	10.17%	4,112,809
Marketing and Communications	86,760	132,875	34.71%	84,985
Information Technology	376,725	144,917	(159.96%)	108,784
Administration	69,809	148,171	52.89%	179,547
Procurement	34,737	53,154	34.65%	
Sales and Service	133,563	145,700	8.33%	135,328
Finance	95,772	105,350	9.09%	80,120
Safety and Security	51,636	66,917	22.84%	55,068
Planning	33,903	57,217	40.75%	34,194
Building Management	43,236	60,533	28.57%	64,998
Total Operating Expenses	5,130,983	5,595,892	8.31%	4,855,833
<b>Capital and Other Expenses</b>				
Capital	46,702		N/A	1,363,838
Interest			N/A	
Dial-A-Ride	50,000		N/A	45,000
Special Services			N/A	4,178
Other Misc. expense	825		N/A	
Total Capital and Other Expenditures	97,527		N/A	1,413,016
Increase (Decrease) of Revenues Over Expenditures	\$ (1,101,372)			\$ (985,911)